



U.S.-China Relations:
Discord on the Eve of the Bush-Hu Summit

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Economic issues garnered most of the attention this quarter with U.S. officials and members of Congress pressing China to address the trade imbalance, revalue China's currency, and curtail Intellectual Property Rights (IPR) violations in advance of Hu Jintao's April visit to the United States. Summit preparations were conducted in high-level visits. Deputy Secretary of State Robert Zoellick met Chinese leaders in Beijing and hugged a panda in Chengdu. Chinese Vice Foreign Minister Yang Jiechi visited Washington, D.C. and urged the Bush administration to rein in Taiwan President Chen Shui-bian. Two major U.S. government reports were issued – the *National Security Strategy* and the *Quadrennial Defense Review* – both of which provoked Chinese condemnation. Beijing convened the fourth session of the 10th National People's Congress, which focused on domestic priorities, including rural reform, education, public health, social security, and the legal system.

Economics remain center stage

In the run-up to President Hu Jintao's visit to Washington in April, economic issues were at the forefront of the U.S.-China relationship, with the mushrooming bilateral trade imbalance (the bilateral deficit hit \$202 billion last year), the valuation of China's currency, and rampant IPR violations continuing to be the dominant themes.

Senior U.S. officials across a range of government departments called for the "responsible stakeholder" concept introduced by Deputy Secretary of State Robert Zoellick last September to be extended to the economic realm of China's integration into the international community. In a speech to the U.S.-China Business Council in January, Deputy U.S. Trade Representative Karan Bhatia suggested that it is incumbent upon China to find a way to promote its own prosperity while at the same time generating mutual benefit for its trading partners. The next day at the World Economic Forum in Davos, Switzerland, Secretary of State Condoleezza Rice echoed this sentiment, saying that China has a responsibility to bring its economic system more in line with accepted international standards.

The U.S. Trade Representative (USTR) released its first top-to-bottom review of U.S.-China trade relations on Feb. 14, which called for greater accountability on IPR and market reforms. In a press conference to announce the release of the report, USTR Rob

Portman promised that U.S. officials would raise Washington's trade complaints with their mainland counterparts during the April China-U.S. summit meeting. The report set six goals for U.S. trade policy on China: 1) integrate China more fully as a responsible stakeholder into the global rules-based system of international trade; 2) monitor China's adherence to international and bilateral trade obligations and secure full implementation and compliance; 3) ensure that U.S. trade laws are enforced fully and transparently; 4) secure further access to the Chinese market and greater economic reforms in China; 5) pursue effective U.S. export promotion efforts; and 6) identify and proactively seek to address mid-and long-term trade problems. To advance these aims, the report called for the creation of a "China Enforcement Task Force," enhanced cooperation with allies on China trade issues, and expansion of economic exchanges with other Asian nations.

To drive home the message that time is running out for Beijing to avert the passage of a retaliatory trade bill against China, Secretary of Commerce Carlos Gutierrez warned bluntly in a speech delivered to the Asia Society in Washington on March 14 that "Without concrete results, the administration, and the American people, may be forced to reassess our bilateral economic relationship." At the end of that month, Gutierrez traveled to China to lay the groundwork for the 17th meeting of the U.S.-China Joint Commission on Commerce and Trade (JCCT) that is slated for mid-April, just prior to Hu's arrival. The trip provided Gutierrez with yet another opportunity to prod Chinese leaders to put forward specific proposals for narrowing the U.S.-China trade deficit and putting an end to rampant violations of intellectual property rights.

The U.S. Congress was especially active in the first quarter of 2006 on issues pertaining to economic ties with China. News from the Hill for most of the quarter was dominated by the impending vote on legislation introduced by Sens. Lindsey Graham (R-SC) and Charles Schumer (D-NY) to impose an across the board 27.5 percent tariff on Chinese imports unless China allowed more flexibility in its currency. The threat to hold a vote by the March 31 deadline was deferred for six months, however, after the two senators, accompanied by Tom Coburn (R-OK), traveled to China in late March, where they met with Chinese leaders and came away convinced that China was committed to slowly loosen the restraints on the renminbi (RMB). Schumer told reporters that he and the co-sponsor of the legislation "are more optimistic that this can be worked out than we were in the past."

The danger of anti-China legislation loomed nevertheless, as Sens. Charles Grassley (R-IA) and Max Baucus (D-MT) launched a bill on March 28 that would impose penalties on countries like China that have a currency imbalance with the U.S. The legislation would modify the Treasury's currency report to focus on misaligned currencies rather than currency manipulation and require the Treasury Department to work with the International Monetary Fund to resolve major imbalances. Countries that don't comply would face cut-offs of U.S. government loan guarantees and lending from government-backed development banks. In contrast to the Schumer-Graham bill, which would violate WTO rules and is widely viewed as excessive, the Grassley-Baucus bill is judged by some to be a reasonable compromise that could be approved if China fails to allow the value of its currency to rise in the coming months.

Since the People's Bank of China released the RMB from its peg to the dollar last July, the yuan has appreciated by slightly more than 3 percent. Chinese officials insist that additional adjustments in the exchange rate must take place incrementally. They also maintain that China is working hard to rein in IPR violations, for example by eliminating the use of pirated software in government offices, and counter that expectations of a quick resolution are unrealistic given China's developing country status.

As the quarter ended, the U.S. and the 25-member European Union filed a trade case against China before the World Trade Organization in a dispute involving auto parts from the U.S. and other nations. The complaint alleges that China is imposing high taxes on imported auto parts in violation of its WTO pledges. If the dispute is not settled within the 90-day consultation period, the U.S. and the EU may pursue a case that could result in penalty tariffs being levied against Chinese products. Consideration is also being given to filing another complaint with the WTO against Chinese piracy of intellectual property rights. "We will not hesitate to pursue our legal options when negotiations are not productive," declared USTR Rob Portman when announcing the decision to file the auto parts case.

Zoellick advances his stakeholder concept and hugs a panda

Preparation for next quarter's Bush-Hu summit began this quarter with a visit Jan. 24-25 by Deputy Secretary Robert Zoellick to Beijing where he met Premier Wen Jiabao, Foreign Minister Li Zhaoxing, Vice Foreign Minister Dai Bingguo, Chairman of the National Defense Resources Council Ma Kai, Chairman of the China Banking Regulatory Commission Liu Mingkang, and Chairman of the China Reform Forum Zheng Bijian. Speaking to reporters following his meetings, Zoellick highlighted his attempt to further the dialogue with China on his "responsible stakeholder" concept by exploring how the Chinese could play a positive role in the international system on issues ranging from nonproliferation to energy security, counterterrorism, avian influenza, and the Asia-Pacific Partnership on Clean Development and Climate.

China's size and global impact deny it the luxury of simply concentrating on its domestic problems, Zoellick asserted. He urged Beijing to sustain and build the international system through active engagement with African countries in the energy sphere. Discussion of how to prevent Iran from developing a nuclear weapons program and reverse the nuclearization of the Korean Peninsula were also on Zoellick's agenda along with addressing Sino-Japanese tensions, which he raised with Japanese interlocutors en route to China. In the economic realm, Zoellick pressed for additional currency flexibility and steps to narrow the U.S.-China trade deficit, and stressed the importance of making progress in the April meeting of the JCCT.

After departing Beijing, Zoellick traveled to Chengdu, in China's southwestern province of Sichuan, where he visited the Panda Research Base. A photo of Zoellick holding a baby panda was widely circulated on the internet, prompting speculation that he was baiting those in the Bush administration who have branded him as a "panda-hugger" for devoting great efforts to engage cooperatively with China.

Taiwan rises to the top of China's concerns. . . again

In the third week of February, Chinese Vice Foreign Minister Yang Jiechi made a low-profile visit to Washington. His mission initially was to engage in further substantive preparations for the April Bush-Hu dialogue, but the focus of his visit was altered by Taiwan President Chen Shui-bian's Jan. 29 announcement of his intention to abolish the National Unification Council (NUC) and the National Unification Guidelines (NUG).

In meetings with National Security Advisor Stephen Hadley and Deputy Secretary Zoellick, Yang read a prepared demarche conveying Beijing's strong opposition to Chen's action and its expectation that the Bush administration would thwart Chen's plan. U.S. officials, while reaffirming the one China policy and Washington's opposition to any steps that would change the cross-Strait status quo, apparently rejoined that Beijing's refusal to engage in dialogue or any direct contact with Taiwan's democratically elected government exacerbated China-Taiwan tensions and increased the likelihood that Chen would continue to pursue steps that China judged to be destabilizing.

This message was reinforced publicly when Christopher Hill, assistant secretary for East Asian and Pacific Affairs, called on China to open dialogue with the elected leaders in Taiwan in testimony at a March 8 hearing on East Asian issues held by the Subcommittee on Asia and the Pacific under the House of Representatives' Committee on International Relations. Warning that "there shouldn't be any room for unilateral announcements or threat of force of any kind," Hill called on both sides to "show restraint," and underscored that nonpeaceful means of resolving differences must be excluded.

A week later, in remarks delivered to the U.S.-China Economic and Security Review Commission, Assistant Secretary of Defense Peter Rodman declared that the PLA military buildup changes the status quo in the Taiwan Strait, which "requires us to adapt to the new situation, as we are doing." Rodman's statement was undoubtedly welcomed by Taipei, which has long claimed that it is the PRC, not Taiwan, that is changing the status quo.

China was likely dissatisfied with the U.S. handling of the NUC/NUG matter, which resulted in a compromise with Taipei that the Council would "cease to function" and the Guidelines would "cease to apply." Chinese President Hu Jintao termed the move a "dangerous step" toward "Taiwan independence." Rumors circulated through Washington that Chinese officials were pressing President Bush to publicly rebuke Chen Shui-bian during Hu Jintao's April visit, as he did in December 2003 alongside Wen Jiabao to express his displeasure with Chen's sponsorship of a public referendum.

U.S. unveils its *National Security Strategy*, provoking Chinese ire

The *National Security Strategy of the United States of America (NSS)* issued March 16, contained a lengthy section on China. Echoing terminology used by the State Department and the Department of Defense, the *NSS* enjoined China to act as a responsible player and noted that while U.S. strategy seeks to encourage Beijing to make the right strategic

choices, “we hedge against other possibilities.” If China adheres to its commitment to stick to the path of peaceful development, the report says, the U.S. “will welcome the emergence of a China that is peaceful and prosperous and that cooperates with us to address common challenges and mutual interests.” As China’s economy grows, its people will seek to supplement their economic freedom with political freedom, according to the *NSS*, and continuing along this path will contribute to regional and international security.

The *NSS* prods Beijing to abandon “old ways of thinking” that incite concerns throughout the region and the world, including non-transparent military expansion, mercantilist approaches to “locking up” energy supplies, and supporting resource-rich countries without regard to their misbehavior at home and abroad. After delivering a speech on the report, National Security Advisor Hadley noted that the U.S. has areas of positive cooperation with China, but also has concerns about Chinese behavior.

China’s Foreign Ministry spokesman lauded the report’s recognition of the many common interests between the U.S. and China and its call for strengthening cooperation, but condemned its “irresponsible remarks and groundless accusations about China’s domestic and foreign policies.” Issuing China’s first official reaction to an *NSS* report since at least the 1990s, the spokesman called on the U.S. to be more objective in its assessment of China’s peaceful development, stop making statements that are not conducive to the healthy development of bilateral ties, and “take substantive measures to eliminate any negative impact” of the report.

Xinhua sharply reproached the *National Security Strategy’s* reaffirmation of the “preemptive” military strike strategy, which was introduced in the *NSS* issued in September 2002. It alleged that by touting the preemptive-strike strategy, the White House was trying to burnish President Bush’s hardline image to boost his domestic political support, which had recently sagged to a new low of 36 percent. The report, *Xinhua* charged, is “filled with a belligerent aggressiveness.” A contrary assessment was offered in a *People’s Daily* article which compared the current *NSS* report with the 2002 report and concluded that the new *NSS* reflects a continuing high level of concern about terrorism and the “axis of evil,” but “seems to have less anger and show more reason” and places greater stress on resolving issues through multilateral cooperation.

Bilateral military exchanges expand

A U.S. Pacific Command delegation visited China in March as part of a program for bilateral military exchanges agreed upon last October during Secretary of Defense Rumsfeld’s visit to China. In November, the program kicked off with a visit by 20 Chinese mid-level commanders and commissars to Hawaii, Alaska, and Washington, D.C. A group of Chinese specialists and military personnel traveled to Hawaii in January. The March delegation was composed of 20 field grade (lieutenant colonel and colonel plus Navy equivalent) current and former commanders from all services. The visit was aimed at enhancing mutual understanding and increasing exposure of U.S. field grade officers to the PLA. The delegation visited Beijing, Shanghai, Hangzhou, and Nanjing.

During their visit, China's Foreign Ministry spokesman declared that China would develop military ties with the U.S. "to build trust, friendship, and promote cooperation," adding that military exchanges would advance the development of bilateral relations. Further military exchanges will take place in April when the president of the U.S. National Defense University leads a delegation to China and Assistant Secretary of Defense Peter Rodman heads the U.S. delegation for the eighth round of Defense Consultative Talks in Beijing. U.S. Pacific Commander Adm. William Fallon is slated to make his second visit to China since assuming his post in May.

The *QDR*: China among countries at a strategic crossroads

On Feb. 3, the Department of Defense released the *Quadrennial Defense Review (QDR)*, a comprehensive review of the nation's defense strategy, force structure, modernization plans, infrastructure and budget that is required by law. As the first *QDR* to take full account of the post-Sept.11 security environment, it is especially significant. In a section that discusses countries at a strategic crossroads, China is singled out as having "the greatest potential to compete militarily with the United States and field disruptive military technologies that could over time offset traditional U.S. military advantages absent U.S. counter strategies." Sustained investment in China's military in the past decade puts regional balances at risk, according to the report.

The *QDR* enumerates steps the U.S. is taking to dissuade China and other major and emerging powers from developing capabilities that could threaten regional stability, as well as to deter conflict and to defeat aggression should deterrence fail. These steps include "persistent surveillance and long-range strike, stealth, operational maneuver, and sustainment of air, sea, and ground forces at strategic distances, air dominance and undersea warfare." The aim is to possess sufficient capability to convince any potential adversary, including China, that it cannot prevail in a conflict and that engaging in conflict entails "substantial strategic risks beyond military defeat." Chinese asymmetric capabilities combined with the challenges posed by the vast distances of the Asian theater and China's continental depth place a premium on maintaining forces "capable of sustained operations at great distances into denied areas."

While expressing concerns that China could emerge as a military rival, the *QDR* holds out the possibility that China could serve as a partner in addressing common security challenges, including terrorism, proliferation, narcotics, and piracy. Adopting Robert Zoellick's terminology, the *QDR* portrays the U.S. goal as encouraging China to "emerge as a responsible stakeholder and force for good in the world." At the same that the U.S. seeks cooperation with China and other emerging powers, the *QDR* insists that the U.S. must also create "prudent hedges" against the possibility that cooperative approaches by themselves may fail to preclude future conflict.

A Chinese Foreign Ministry spokesman voiced "firm opposition" to the China-related portion of the *QDR*, which he claimed "makes unwarranted criticisms of China's normal defense construction, interferes in China's internal affairs, plays up the 'theory of China's military threat,' and misleads the public." The Chinese media provided mixed

commentary on the *QDR*. One article, in the party newspaper *People's Daily*, denounced the U.S. for seeking to “maintain hegemony” and urged the U.S. to “abandon unilateralism” and not pursue “absolute military hegemony.” A milder review posted on the front page of *People's Daily's* Chinese language website, however, maintained that the *QDR* “does not regard China as a ‘real opponent’ of the United States” but instead emphasizes the importance of Sino-U.S. cooperation and China’s development potential. Moreover, the article contended that the *QDR* represents conservative voices in the U.S. that are in charge of coping with “worst-case scenarios” and doesn’t comprehensively reflect the views of the Bush administration. “Overall, the situation in current Sino-U.S. relations is good,” the article concluded.

National People’s Congress convenes

March annually witnesses the holding of the “two sessions” – the National People’s Congress (NPC) and the 10th National Committee of the Chinese People’s Political Consultative Conference (CPPCC) – which bring together more than 5,000 lawmakers and advisors. Chinese Premier Wen Jiabao delivered the government work report at the fourth session of the 10th National People’s Congress on March 15. He expounded on progress achieved in implementation of rural reform, strengthening education, improving the public health system, expanding the social security system, and bolstering democracy and the legal system. Touching on deficiencies in government work, Wen noted the propensity of some government employees to engage in “deceit and fraud,” be “extravagant and wasteful,” and even “venal and corrupt.” A growth target for GDP in 2006 was set for 8 percent; energy consumption per unit of GDP is planned to decline by 4 percent; urban employment is targeted to increase by 9 million persons; and the urban registered unemployment rate is due to remain under 4.6 percent.

The 11th Five Year Plan relies less on planning targets than in the past, however, allowing greater room for “market forces.” The only economic targets in the plan are an average annual growth rate of 7.5 percent, a pledge to double per capita incomes between 2000 and 2010, an energy efficiency goal of reducing energy consumption by 20 percent, and a target for reducing key pollutants by 10 percent. All other obligatory targets are social or environmental. The move represents a significant trend in Chinese macroeconomic policy development.

Eight priority tasks were assigned for the coming year, including: 1) maintaining steady and relatively fast economic growth; 2) practically facilitating construction of the rural areas; 3) intensifying industrial restructuring, resource conservation, and environmental protection; 4) promoting regional coordinated development; 5) strengthening science, education, and cultural construction; 6) further promoting reform and opening up; 7) resolving issues concerning the immediate interests of the masses; and 8) strengthening development of democratic politics and safeguarding social stability.

Premier Wen reaffirmed China’s commitment to pursuing peaceful reunification with Taiwan and placing hopes on the people of Taiwan to achieve that goal, while “uncompromisingly” opposing separatist activities aimed at Taiwan independence. In

foreign policy, he pledged that China would remain on the road of peaceful development, build good-neighborly relations with its neighbors, promote regional cooperation, actively participate in multilateral diplomacy, and work with the peoples of all nations to build a “peaceful, just and harmonious new world.”

The spokesman for the annual session of the NPC, Jiang Enzhu, announced that China’s defense budget for 2006 would reach 283.8 billion yuan (about \$35.1 billion), a 14.7 percent increase over last year. Later that month, Assistant Secretary of Defense Peter Rodman criticized that spending hike as well as China’s lack of transparency regarding defense spending in remarks delivered before the U.S.-China Economic and Security Review Commission. Drawing a contrast with the *QDR*, which “speaks openly and candidly about U.S. doctrine, assumptions, and plans,” Rodman asserted that China has yet to explain the purpose of its military expansion and provide basic information on the size and proficiency of its armed forces. Its lack of transparency prompts other countries to hedge against these unknowns, he claimed.

Rising protectionism and criticism of Bush may affect the summit

Chinese President Hu Jintao will likely be greeted in Washington in April with a politically unfriendly atmosphere. His host, President Bush, has been harshly criticized this quarter on the Dubai ports deal and the oversight of National Security Agency wiretaps. There is growing angst among both Republicans and Democrats about Iraq and the danger of a civil war there. Protectionist sentiment in the U.S. is on the rise. Under these circumstances, Washington is in no mood to roll out the welcome mat for Hu. Although the causes of U.S. problems can mostly be found at home, the ballooning U.S.-China trade deficit, China’s rampant intellectual property rights violations, U.S. worries that China’s growing appetite for energy will drive up prices and limit supply, and general U.S. anxiety about the implications of China’s rapid rise make China an easy political target.

Nevertheless, the two presidents will seek to have a productive exchange that advances strategic understanding and provides impetus for continued bilateral cooperation on the growing list of regional and global issues that affect both U.S. and Chinese interests. Also on the agenda for next quarter is the eighth round of Defense Consultative Talks between the U.S. and Chinese militaries, another visit by U.S. Pacific Commander Adm. Fallon to China, and the third round of the U.S.-China Senior Dialogue led by Deputy Secretary of State Zoellick and Chinese Vice Foreign Minister Dai Bingguo.

Chronology of U.S.-China Relations **January-March 2006***

Jan. 1, 2006: The Sino-U.S. textile agreement, signed in November 2005, takes effect, imposing quotas on 21 types of clothing and textiles from China by 2008.

Jan. 3, 2006: Sens. Norm Coleman (R-MN) and Barack Obama (D-IL) establish Senate China Working Group to look more closely at China's growing economic, political, and military influence and its implications for American interests.

Jan. 4-5, 2006: Sheng Huaren, vice chairman and secretary general of the Standing Committee of China's National People's Congress (NPC), exchanges views with U.S. Senate President pro tempore Ted Stevens on relations and parliamentary exchanges between the two countries in Hawaii.

Jan. 6, 2006: The National Defense Authorization Act for Fiscal Year 2006 is approved by the president and both houses of Congress. The Act prohibits the secretary of defense from procuring goods and services from China except under a waiver that deems a purchase necessary for national security purposes.

Jan. 9-17, 2006: U.S. Reps. Mark Kirk and Rick Larsen, founders of the House of Representatives' China Working Group, visit China for the first time since the establishment of the group last June.

Jan. 10, 2006: Cao Gangchuan, China's minister of national defense, expresses readiness to expand military relations with the U.S. on the basis of mutual benefit and equal consultation during his meeting with a delegation from the U.S.-China Working Group.

Jan. 13, 2006: China's legislator Wu Bangguo calls for the legislative bodies of China and the U.S. to have closer ties when meeting Lisa Murkowski, chairwoman of the Asia-Pacific group of the Senate Foreign Relations Committee.

Jan. 23-25, 2006: Deputy Secretary of State Robert Zoellick visits Beijing and Chengdu.

Jan. 25, 2006: Deputy U.S. Trade Representative (USTR) Karan Bhatia calls for China to be more responsible and take more of leadership role in global trading, even extending beyond its WTO requirements.

Jan. 25, 2006: The U.S.-China Business Council reports that trade with China is "clearly beneficial" for the U.S. as the U.S. experiences higher GDP, increased efficiency, and lower prices as a result of trading with China.

* Compiled by David Adam Fisher, CSIS intern

Jan. 26, 2006: At the World Economic Forum in Davos, Switzerland, Secretary of State Condoleezza Rice says that the U.S. should engage China and encourage it to become a responsible stakeholder in the international community. China also has the responsibility to reform its economic system to conform with international standards.

Jan. 27, 2006: Senate refers a resolution to the Committee on Foreign Relations that calls on the international community to condemn the *laogai*, the system of forced labor prison camps in China.

Jan. 30, 2006: U.S. reaffirms the “one China” policy in response to Taiwanese President Chen Shui-bian’s Lunar New Year’s address calling for the abolition of Taiwan’s National Unification Guidelines and National Unification Council.

Jan. 30, 2006: Officials from the U.S., China, Britain, France, Germany, and Russia meet in London to discuss the Iran nuclear issue.

Feb. 1, 2006: Congressmen accuse U.S. companies Microsoft, Yahoo!, Google, and Cisco of helping the Chinese government enforce censorship and track down “dissidents.” The companies call on the U.S. to engage the Chinese government to affect change in China.

Feb. 2, 2006: The U.S.-China Economic and Security Review Commission holds hearings on “Major Challenges Facing the Chinese Leadership.”

Feb. 2, 2006: Director of National Intelligence John Negroponte testifies to the Senate Select Committee on Intelligence on Current and Projected National Security Threats to the U.S. China is identified as “a rapidly rising power with steadily expanding global reach that may become a peer competitor to the United States at some point.”

Feb. 3, 2006: Department of Defense releases its *Quadrennial Defense Review*.

Feb. 9, 2006: Sens. Byron Dorgan (D-ND) and Lindsey Graham (R-SC) introduce legislation to withdraw normal trade relations treatment for China.

Feb. 12, 2006: NSC Acting Senior Director for Asian Affairs Dennis Wilder and Clifford Hart, director of the State Department’s Taiwan Desk, reportedly travel secretly to Taiwan to try to dissuade Chen Shui-bian from abolishing the National Unification Council.

Feb. 14, 2006: USTR releases a report to Congress on U.S.-China trade calling for the more stringent application of trade laws, the creation of “a China Enforcement Task Force,” and more bilateral dialogue.

Feb. 15, 2006: House holds hearing on “The Internet in China: A Tool for Freedom or Suppression.”

Feb. 22, 2006: Rep. Rob Simmons (R-CT) travels to Taiwan. He calls for Taiwan to approve the purchase of the U.S.-offered arms package and meets with Chen Shui-bian.

Feb. 22, 2006: Chinese VM of Foreign Affairs Yang Jiechi visits Washington and meets Deputy Secretary Zoellick, National Security Advisor Stephen Hadley, and Assistant Secretary Christopher Hill to discuss President Hu Jintao's upcoming visit to U.S. and concerns about Taiwan.

Feb. 27, 2006: Chen Shui-bian announces that Taiwan's National Unification Council will "cease to function." Hu calls the move "a dangerous step on the road toward 'Taiwan Independence.'" State Department spokesman says "It's our understanding that President Chen did not abolish it, and he reaffirmed Taiwan's commitment to the status quo."

Feb. 28, 2006: John Negroponte, director of National Intelligence, presents the "Annual Threat Assessment" to the Senate Armed Services Committee. China is described as "a rapidly rising power with steadily expanding global reach that may become a peer competitor to the United States at some point."

March 5-16, 2006: China holds annual session of the National People's Congress (NPC).

March 7, 2006: Chinese FM Li Zhaoxing, speaking on the sidelines of the NPC, calls on the U.S. to work with China to maintain peace in the Taiwan Strait. Li also suggested that the U.S. remove restraints on high-technology exports to China to improve the trade imbalance between the two countries.

March 7, 2006: At a Senate Armed Services Committee hearing, Chairman John Warner questions whether the U.S. would come to Taiwan's defense if the island's leaders precipitated an incident by changing the status quo.

March 8, 2006: State Department releases annual report detailing human rights abuses in China. China's State Council responds, accusing the U.S. of human rights abuses.

March 8, 2006: U.S. Coordinator for International Intellectual Property Enforcement Chris Israel, testifying in before a Senate Commerce, Science and Transportation subcommittee, says China has made limited progress toward improving its IPR situation, and those efforts are undermined by lack of political will and corruption.

March 13, 2006: U.S. Pacific Command delegation visits China as part of a program for bilateral military exchanges agreed during Secretary Rumsfeld's October visit to China.

March 14, 2006: In remarks to the Asia Society in Washington, Secretary of Commerce Carlos Gutierrez calls on China to reduce its trade surplus with the U.S. and improve protection of IPR.

March 14-19, 2006: Secretary Rice travels to Indonesia and Australia, where she calls on China to open its economy and be more transparent about its military buildup.

March 16, 2006: The White House releases *National Security Strategy of the United States of America* that reasserts the administration's belief in the doctrine of preemption and encourages China to act as "a responsible stakeholder."

March 16, 2006: Sen. Lugar (R-IN) introduces legislation calling for "a formal coordination agreement with China and India as they develop strategic petroleum reserves."

March 16, 2006: Assistant Secretary of Defense Peter Rodman delivers remarks before the U.S.-China Economic and Security Review Commission on "China's Military Modernization and Export Controls."

March 20-26, 2006: Sens. Schumer (D-NY), Graham (R-SC) and Coburn (R-OK) travel to China to discuss China's currency valuation, IPR protection, and Chinese barriers to foreign investment. They meet FM Li Zhaoxing, Commerce Minister Bo Xilai, Central Bank Gov. Zhou Xiaochuan and Vice Premier Wu Yi, and engage with students at Qinghua University.

March 26, 2006: Commerce Secretary Gutierrez arrives in Beijing for meetings with senior Chinese economic officials to finalize the agenda for the meeting of the Sino-U.S. Joint Commission on Commerce and Trade to be held in Washington April 11.

March 28, 2006: USTR Rob Portman names Stephen Kho, acting chief counsel for China enforcement, and Terry McCartin, deputy assistant U.S. trade representative for China enforcement, as co-chairs of the USTR's new China Trade Enforcement Task Force, which will oversee China's trading practices.

March 29, 2006: Under Secretary for International Affairs Tim Adams testifies at a Senate Finance Committee hearing on "U.S.-China Economic Relations Revisited."

March 29, 2006: Chinese delegation headed by Jiang Enzhu, chairman of the NPC's Foreign Affairs Committee, leads delegation to Washington and holds eighth round of formal meetings with the House of Representatives under the Inter-Parliamentary exchange mechanism.

March 30, 2006: U.S. and the EU request WTO dispute settlement consultations with China in response to its alleged unfair treatment of imported auto parts.

March 30, 2006: White House issues a statement expressing grave concern about Beijing's repatriation of a North Korean refugee, Kim Chun-hee. It urged China not to return refugees without allowing the UN High Commission for Refugees access to them.

March 31, 2006: USTR releases its 2006 National Trade Estimate on Foreign Trade Barriers. The chapter on China amounts to 71 of its 712 pages.